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NATIONAL HEALTH LAW PROGRAM

Protect Medi-Cal Funding Series
Health Disparities

Issue Brief # 6 in a 12-Part Series

Medi-Cal provides a long-term investment in the health of Californians. Medi-Cal coverage and services are tailored to meet the unique needs of low-income individuals and families, and costs less per beneficiary than employer-based insurance.[1] The American Health Care Act (AHCA) passed by House Republicans would seriously jeopardize the health and financial security of more than 13 million Californians—one third of the state's residents—who rely on Medi-Cal each year.[2] The AHCA cuts federal Medicaid spending by $834 billion over ten years and imposes a cap on Medicaid funding for states.[3] In addition, the recently released White House budget proposes to further cut federal Medicaid spending by as much as $1.3 trillion over the next decade.[4] The loss of billions of dollars in federal Medicaid funding will invariably lead to cuts in services and the loss of affordable coverage. This issue brief explains why Medi-Cal is so critical for populations experiencing health disparities, and it explains how low-income Californians would be harmed by Medicaid funding caps and cuts.

Why Medi-Cal is important for communities experiencing health disparities:

- **Medi-Cal protects communities of color**. Medi-Cal is an important source of health care coverage for people of color, who represent at least 68 percent of its enrolled population.[5] Almost half of Medi-Cal enrollees are Latina/o, 13 percent are Asian/Pacific Islander, and 8 percent are African American.[6] Medi-Cal coverage is also critical for individuals of color because they are more likely to experience certain health conditions, such as diabetes, which require ongoing screening and services.[7]

- **Medi-Cal is essential to delivering care in rural communities**. Medi-Cal funding is essential to delivering care in rural areas. Rural residents are more likely to be enrolled in Medicaid than urban residents for a variety of reasons: lower access to job-based coverage, greater prevalence of self-employed jobs, lower incomes, and a greater share of the population with a disability. Working adults in rural communities are also less likely to have access to employer-based health insurance.[8] Medi-Cal fills this gap by providing health coverage, in particular for rural communities. Approximately, 1,366,703 Medi-Cal enrollees live in California's rural counties.[9] It is also important to note that by providing

coverage for rural communities, Medi-Cal helps sustain a healthy workforce. For instance, Medi-Cal is a critical source of income for rural hospitals.[10]

- **Medi-Cal protects people with disabilities**. Although insurance markets historically discriminated against people with disabilities, Medi-Cal provided reliable coverage to this population without pre-existing condition exclusions or other barriers. Medi-Cal also pioneered the development of home and community based services that allow individuals with disabilities to receive care in their homes and participate in community-based programs, instead of more expensive institutional care. In fact, its In-Home Supportive Services program is the largest in the country and covers more than 480,000 enrollees who are elderly or who have a disability.[11]

- **Medi-Cal protects health and financial security**. Medi-Cal provides increased funding to help meet new community health threats as they arise, such as obesity or the opioid epidemic, which are increasingly affecting ethnic minorities and rural communities.[12] Medi-Cal is specifically structured to ensure that when the economy falters and low-wage people of color and rural workers lose their jobs, affordable health coverage is available to meet these needs.

How funding cuts would harm communities experiencing health disparities:

- **Funding caps and other cuts would hurt communities experiencing health disparities.** Federal funding cuts result in reduced budgets for state Medicaid programs. With substantially fewer resources, California would seek to cut back Medi-Cal-covered services, and communities experiencing health disparities would be among the most impacted. For example, Medi-Cal could attempt to reduce coverage of expensive services relied on by individuals with disabilities, since the current Republican House bill would increase state costs on in-home supportive services by about $400 million in 2020 and will grow annually.[13] California could also be forced to make changes on the eligibility of certain populations that include people of color and residents of rural communities. Caps would not allow for the flexibility to meet demographic changes that are happening in California, leaving the state with even larger cuts over the long run. Moreover, the per capita structure does not take into account certain populations like American Indians, meaning that California will have to make difficult decisions about how it will be provide for those individuals who receive coverage through Indian Health Services. [14]

- **Funding cuts would put state health security in jeopardy.** Under a funding cap, states get a predetermined federal payment for future years, meaning states would not have enough money if health care needs increase. Such a rise in needs is bound to happen since the number of Californians with complex health conditions diabetes is likely to double by 2020.[15] Under a per capita cap, California would not get support for these new costs, which disproportionately impact people of color. California's lower-income communities and communities of color will see a reduction in their health security and an increase in debt and medical bankruptcies.[16]

- **Funding cuts would undermine flexibility to address community health priorities.** Funding cuts would make it impossible for California to implement or continue initiatives that address the social determinants of health or make strategic investments in preventive care and community health that save long-term costs. Funding caps and other cuts might also force California to reduce the enhanced Medi-Cal rates paid to public and rural health clinics that care for underserved communities, including individuals without insurance. Research studies indicate that rural parts of California would face significant losses should Medi-Cal experience any federal cuts. [17]

ENDNOTES

[1] *See* TERESA COUGHLIN ET AL., KAISER COMM'N ON MEDICAID & THE UNINSURED, WHAT DIFFERENCE DOES MEDICAID MAKE? 4, 7 (2013) (Nationally, employer-based coverage would cost 28% more than covering the same individual with Medicaid), http://kaiserfamilyfoundation.files.wordpress.com/2013/05/8440-what-difference-does-medicaid-make2.pdf.
[2] CAL. DEP'T HEALTH CARE SERVS., MEDI-CAL MONTHLY ENROLLMENT FAST FACTS 1 (2017) (enrollment as of December, 2016 at 13.5 Million), http://www.dhcs.ca.gov/dataandstats/statistics/Documents/Fast_Facts_December_2016.pdf
[3] CONG. BUDGET OFFICE, COST ESTIMATE: H.R. 1628, THE AMERICAN HEALTH CARE ACT, AS PASSED BY THE HOUSE OF REPRESENTATIVES ON MAY 4, 2017 (2017), https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/hr1628aspassed.pdf.
[4] EDWIN PARK, CTR. ON BUDGET AND POLICY PRIORITIES, TRUMP BUDGET CUTS MEDICAID EVEN MORE THAN HOUSE BILL, SHOWING DANGER OF PER CAPITA CAP (May 23, 2017), http://www.cbpp.org/blog/trump-budget-cuts-medicaid-even-more-than-house-health-bill-showing-danger-of-per-capita-cap.
[5] CAL. DEP'T HEALTH CARE SERVS., MEDI-CAL MONTHLY ENROLLMENT FAST FACTS (NOV. 2016), http://www.dhcs.ca.gov/dataandstats/statistics/Documents/Fast_Facts_Nov_2016.pdf.
[6] *Id.*
[7] American Indians/Alaska natives (15.9%), Non-Hispanic blacks (13.2%), Hispanics (12.8%), and Asian Americans (9%) make up the populations with the highest rates of diagnosed diabetes, compared to 7.6% of non-Hispanic whites. CTRS. DISEASE CONTROL & PREV., NATIONAL DIABETES STATISTICS REPORT: ESTIMATES OF DIABETES AND ITS BURDEN IN THE UNITED STATES (2014), https://www.cdc.gov/diabetes/pubs/statsreport14/national-diabetes-report-web.pdf.
[8] Kaiser Family Found., The Affordable Care Act And Insurance Coverage In Rural Areas (2014), https://kaiserfamilyfoundation.files.wordpress.com/2014/05/8597-the-affordable-care-act-and-insurance-coverage-in-rural-areas1.pdf; *see also* NAT'L POVERTY CENTER, NAT. POVERTY CENTER WORKING PAPER SERIES: #11-16 - THE GEOGRAPHY OF EXCLUSION: RACE, SEGREGATION AND CONCENTRATED POVERTY 6-7 (2011), http://npc.umich.edu/publications/u/2011-16%20NPC%20Working%20Paper.pdf.
[9] CAL. DEP'T HEALTH CARE SERVS., COUNTY CERTIFIED ELIGIBLES AS OF DECEMBER 2016, *available at* http://www.dhcs.ca.gov/dataandstats/statistics/Pages/Medi-Cal-Certified-EligiblesRecentTrends.aspx (last visited June 13, 2017).
[10] CAL. DEP'T HEALTH CARE SERVS., RURAL HEALTH REPORT 2012, *available at* http://www.dhcs.ca.gov/services/rural/Documents/CSRHAPresentationNov132012.pdf.
[11] CAL. DEP'T HEALTH CARE SERVS., SUMMARY AND PRELIMINARY FISCAL ANALYSIS OF THE MEDICAID PROVISIONS IN THE FEDERAL AMERICAN HEALTH CARE ACT (Mar. 21, 2017), http://www.dhcs.ca.gov/Documents/3.21.17_AHCA_Fiscal_Analysis.pd.pdf .
[12] *See, e.g.,* Sara E. Schaefer *et al., Assessing Child Obesity and Physical Activity in a Hard-to-Reach Population in California's Central Valley, 2012–2013,* 12 PREV. CHON. DISEASE E117 (2015); Sarah Childress, *How the Heroin Epidemic Differs in Communities of Color,* FRONTLINE (Feb. 23, 2016), http://www.pbs.org/wgbh/frontline/article/how-the-heroin-epidemic-differs-in-communities-of-color/.
[13] CAL. DEP'T HEALTH CARE SERVS., *supra,* note 11.
[14] CALIFORNIA PAN-ETHNIC HEALTH NETWORK, THE REPUBLICAN ACA REPEAL PLAN WILL BE DEVASTATING FOR CALIFORNIA (2017), https://cpehn.org/sites/default/files/cpehn_fact_sheet_ahca_-_may_2017.pdf.
[15] CAL. DEP'T HEALTH CARE SERVS., *supra* note 9.

[16] *See* CONSUMER FIN. PROT. BUREAU, FINDINGS FROM THE CFPB'S SURVEY OF CONSUMER VIEWS ON DEBT CONSUMER EXPERIENCES WITH DEBT COLLECTION (2017) ("Medical debt is the most common type of past-due bill or payment for which consumers reported being contacted [by debt collection agencies]."), https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201701_cfpb_Debt-Collection-Survey-Report.pdf; Christina Lamontagne, *NerdWallet Health Finds that Medical Bankruptcy Accounts for Majority of Personal Bankruptcies*, NERDWALLET HEALTH BLOG (Mar. 26 2014), https://www.nerdwallet.com/blog/health/medical-bankruptcy/.

[17] *See* LAUREL LUCIA ET AL. U.C. BERKELEY CENTER FOR LAB. RES. & EDUC., Medi-Cal Expansion under AHCA: Severe Coverage and Funding Loss unless State Backfills Billions in Federal Cuts, http://laborcenter.berkeley.edu/medi-cal-expansion-under-ahca.